

AHL Brief Note: Cement

Lucky Cement Limited (LUCK)

Analyst Briefing Takeaways

The management of Lucky Cement Ltd (LUCK) held a corporate briefing session today where they discussed the company's performance and future outlook.

Brief Takeaways:

- **Stock split:** Lucky Cement Limited has announced a 5-for-1 stock split, which is expected to enhance market liquidity and improve trading efficiency.
- **Energy Mix:** The company has successfully launched the commercial operation of Wind plant at Karachi, with a capacity of 28.8 MW and an investment of PKR 9bn. Currently, 55% of its energy mix comes from renewables (wind, solar, and WHRP), while the remaining 45% is sourced from captive power. The increased share of renewables in the energy mix is expected to support sustainable operations and environmental friendliness, explained by management.
- **Cement Industry Dispatches:** In terms of cement dispatches, growth was primarily driven by exports, as domestic volumes were lower. During the 1HFY25, local cement dispatches declined by 14% YoY, mainly due to higher cement prices and elevated inflation, which dampened demand. However, exports saw a significant increase of 85% YoY, reaching 1.8mn tons. Key export markets include Africa, Sri Lanka, and Bangladesh.
- **LUCK Market Share:** For the 1HFY25, the company's domestic market share decreased to 16.4%. However, the company's export market share rose to 38% from 26% during the same period last year.
- **Foreign Cement Operations:** Capacity utilization in Iraq and Congo remained ~90-95%.
- **Coal Prices and mix:** Regarding coal prices and mix, the company employed a blend of imported and domestic coal, leading to an average cost of ~PKR 35,000/ton during 2QFY25. The South plant relies on international coal, while the North plant uses a mix of local and Afghan coal.
- **Cement Prices:** Local retention prices for cement remained around PKR 16,000/ton during 1HFY25. Export prices for cement from the South plant were approximately USD 41/ton, while clinker prices were around USD 30/ton. In the North, export prices to Afghanistan were around PKR 9,000/ton.
- **Other Income:** The company's other income on an unconsolidated basis rose to PKR 7.5bn in 1HFY25, largely driven by dividends from Lucky Core Industries (PKR 1.7bn), Lucky Motors (PKR 1.4bn), and the remaining from investments in mutual funds.
- **Investment Outlook:** As a cash-rich company, management always seek investment opportunities across various sectors.
- **Demand Outlook:** Management expects that easing in inflation and reduction in interest rates will boost local cement dispatches in the coming period.

Lucky Cement Limited (LUCK) Analyst Briefing Takeaways

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